GROWING

COLUMBIA BASIN TRUST

TOGETHER

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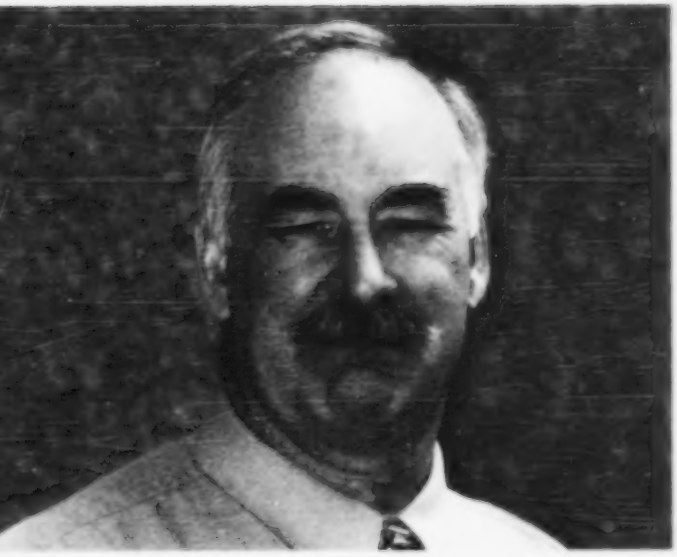
COLUMBIA BASIN TRUST

Message from the Chair

Honourable Colin Hansen
Minister of Economic Development,
Province of British Columbia

Dear Minister Hansen:

The 2005-06 year, our 10th anniversary, has been significant in the history of Columbia Basin Trust (CBT). We've taken a very close look at where we are, as well as where we want to be. Our continuing objective is to be as effective as possible in providing social, economic and environmental benefits to the residents and vibrant Columbia Basin communities in which we all live.



To mark our 10-year anniversary, we held a symposium to get feedback from residents of the Basin. The symposium was very productive in that residents had the opportunity to speak out and let us know how they thought we were doing. There were two key points that came from the symposium: (1) the sense of ownership Basin residents feel concerning the ongoing operations of CBT, and (2) the need for improved communications—an increasingly important aspect of how CBT delivers on its mandate, and the focus of significant work over the coming months. We look forward to reporting back to people on our progress soon.

During 2005, CBT did not proceed with the option to purchase Columbia Power Corporation (CPC) from the Provincial government. CBT is now focusing on a new partnership with CPC, which meets the goals of both corporations and strengthens the Columbia Basin. One example of this new partnership is that CBT Director Ron Miles and I have been appointed to the Board of Directors of CPC. Our appointments mean we can create efficiencies and facilitate communication between the two organizations. This translates into good news for Basin residents because CBT can spend more time enhancing our Delivery of Benefits program. Working together with CPC is one of the key factors that will contribute to our growth as an organization, and Ron and I are looking forward to making this happen.

We also welcomed Neil Muth as CBT's new Chief Executive Officer in September of 2005. Mr. Muth has an extensive finance and policy making background and the Board looks forward to working with him in carrying out our mandate into the future.

We are all looking forward to the next chapter in the CBT history. With questions around the management of our power projects settled, we have a renewed drive to empower Columbia Basin residents and help them build capacity and self sufficiency in our communities.

In my view, the Columbia Basin continues to be a wonderful area in which to live. It provides the culture, lifestyle and environment that draws so many of us to the region and encourages us to put down roots. Our economy is starting to strengthen and we all share a vision for a strong social fabric. CBT has an opportunity, and a real responsibility, to act as a steward and ensure the Basin's special qualities carry on and grow. This is why we chose "Growing Together" as the theme for this year's Annual Report.

I would like to take this opportunity to thank outgoing directors Jackie Drysdale and Mark McKee for their years of service on the CBT Board. Their contributions were appreciated and we wish them luck in their future endeavours. In March, 2006, the Province appointed six individuals, and approved the appointment of another six, to the Board of Directors to oversee the Columbia Basin Trust. The two new directors are Denise Birdstone, from the Ktunaxa Nation Council and Ron Oszust from the Columbia-Shuswap Regional District. I feel very strongly that our current Board—together with CBT staff and our partners—continues to have the vision and depth of experience to help usher in a successful second decade in our organization's history. I would like to thank all volunteers, staff members, Board members and advisory committee members for their hard work.

In my role as Chair of the CBT Board, I oversaw the creation of this 2005-06 Columbia Basin Trust Annual Report in accordance with the *Budget Transparency and Accountability Act*. I, along with the other members of the Board, am accountable for the contents, including the selection of performance measures and how the results are presented. The information reported in here reflects the actual performance of CBT for the twelve months ending March 31, 2006. All significant decisions, events, and identified risks, as of June 16, 2006, have been considered in the preparation of this Annual Report.

The Report is prepared in accordance with the BC Reporting Principles. These Principles provide guidance to all Provincial organizations in the preparation of service plans and annual reports. The Report compares our actual performance to our Service Plan. The measures presented are consistent with CBT's mission and goals, and focus on aspects critical to our performance. The Board is responsible for ensuring internal controls are in place, allowing performance information to be measured accurately and in a timely fashion. This Report contains estimates and interpretive information that represent the best judgment of management. Any significant limitations in the reliability of data are identified in the Report.

Josh Smienk, Chair
Columbia Basin Trust

Dear Basin Residents:

I took on the role of Chief Executive Officer for the Columbia Basin Trust in September of 2005. I spent my early years in Trail and am very happy to be back living in this area. The region has changed considerably since I was a kid, and I had the opportunity to get the "lay of the land" while attending public meetings on our option to purchase CPC. In speaking with people throughout the Columbia Basin, I learned a lot about the region and what people think of CBT and the job we are doing.

It is very clear to me that CBT is an organization for the people of the Basin. Our mandate is to deliver social, economic and environmental benefits to everyone calling the Columbia Basin home. To do this in an effective way, we have to allow and promote two-way communication—both coming in and going out. CBT needs to let residents of our Basin know what we are planning to do as an organization and we must listen to what residents have to say and what they want us to do.

We have a lot of good news to share as we come to the end of our 2005-06 year. We continue to develop the next version of the Columbia Basin Management Plan. The Management Plan, which acts as the strategic blueprint for CBT moving forward, will be presented in the coming months to Basin residents for their comments. The Basin is a large region and the communities within it sometimes have different needs. In developing the next version of the Management Plan, CBT will look at prioritizing its activities.

In the interests of creating a continuously improving organization, I am overseeing the creation of tools to measure the success of our many programs in the short and long term. We looked at our previous organizational strategies and adjusted them to reflect where we are as an organization right now. We are also working on refining our investment policy to ensure that CBT's financial assets are invested in a manner that contributes to a healthy flow of benefits to residents and their communities. While we did not meet all of our targets for the past year, I am pleased that we met a substantial number of them.

Within the CBT organization, we are looking at our internal structure to ensure we are set-up to deliver on our mandate in the most effective way possible. We are also developing governance policies which will be available publicly and will contribute to our transparency.

We encountered some challenges related to our various power investments in the past year. Operations at the Arrow Lakes Generating Station were interrupted while permanent repairs to the approach channel were carried out. Commercial operation resumed in mid May 2006. Construction continues on the Brilliant Expansion project and an application for environmental approval was submitted for the Waneta Expansion. Although the repairs at Arrow Lakes Generating Station mean that our power project earnings were not as high as they would otherwise have been, our existing power assets continue to generate revenues to support our Delivery of Benefits program.

In addition, our various congregate care investments continue to generate good returns for us while providing affordable care to seniors in the Basin. We have also continued to work with local financial institutions on our Loan Syndication program and look forward to strengthening these partnerships in 2006-07.

As a result of not proceeding with our option to purchase CPC, the Province of British Columbia paid CBT $10 million, which will further help us carry out our mandate. While 2005-06 was a challenging year, all of these factors have come together for a more positive financial outlook going forward.

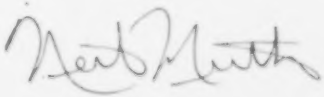
Through our various funding programs, our contributions have helped Columbia Basin residents with projects such as the Visitor Information and Interpretative Centre in Valemount, the Nakusp Music Festival, grasslands restoration in the East Kootenay and the "White Sturgeon Life History & Habitat Assessment" program across the Basin. It's great to see funding from CBT have a real and positive impact. This past year, we were able to deliver more than $4 million in benefits to Basin residents.

Our Water Initiatives Program and various youth programs are other ways we are hard at work for residents of the Columbia Basin. We are proud of these particular programs because they are examples of CBT taking an active and ongoing role in initiatives requested by residents—and important for us all.

There are many people to thank who have helped me, both personally in my transition back to the Columbia Basin, and professionally, into my new position at CBT. I would like to thank the Board for their support, guidance and for giving me this unique opportunity. Thanks to my colleagues on the CBT staff for their dedication, for their willingness to challenge me and for sharing the desire for CBT to make a real difference in the Basin.

Thanks to our partners (CPC, the Province, delivery agents and others), members of our various advisory committees and, finally, thank you to the many Basin residents and community leaders who have taken the time to talk with me.

Our theme for this year's Annual Report is Growing Together. This is an idea that sums up the CBT objective for the coming year. As a relatively young organization, we are still growing. We are also growing together with our various partners and with residents of the Columbia Basin. Understanding this, and striving to continue with this objective in mind, will allow us to contribute to the growth of our Basin. We are all in it together.



Neil Muth, CEO
Columbia Basin Trust

FOUNDATIONS FOR THE FUTURE

THE COLUMBIA BASIN TRUST

Ten years after the *Columbia Basin Trust Act* was passed in the Provincial legislature, the Columbia Basin Trust continues to encourage growth and self-sufficiency within the southeast corner of British Columbia, the region most affected by the Columbia River Treaty between Canada and the United States. The region's boundaries are generally defined by those watersheds which flow into the Columbia River within Canada.

Using endowments provided by the Province of BC, CBT makes investments and uses the returns from its investments to deliver social, economic and environmental benefits to the people of the region by funding and undertaking a mix of programs and initiatives.

Our Vision

The Columbia Basin is a place where social, environmental and economic well-being is fostered, where collaborative relationships and partnerships exist among stakeholders and form the basis for social and economic activities, and where the economy is diverse, resilient and energized.

Our Mission

CBT supports efforts by the people of the Columbia Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

Our Mandate

CBT manages its assets for the ongoing economic, environmental and social benefit of the region.

Our Values

Inclusiveness

- We include the people of the Columbia Basin in assessing the needs of the region, planning and decision-making.

Collaboration

- We work with the public and other agencies and organizations.

Respect for Diversity

- We respect the history and diversity of the people and communities of the Columbia Basin.

Responsibility

- We take into account the Columbia Basin residents' economic, environmental, social and sustainability values. We strive to openly and explicitly balance maximizing benefits and minimizing negative impacts.

HOW IT WORKS

PORTFOLIO OF INVESTMENTS
Generating returns
for the Basin

DELIVERY OF BENEFITS
Programs & projects

COLUMBIA BASIN
Social, economic and
environmental benefits

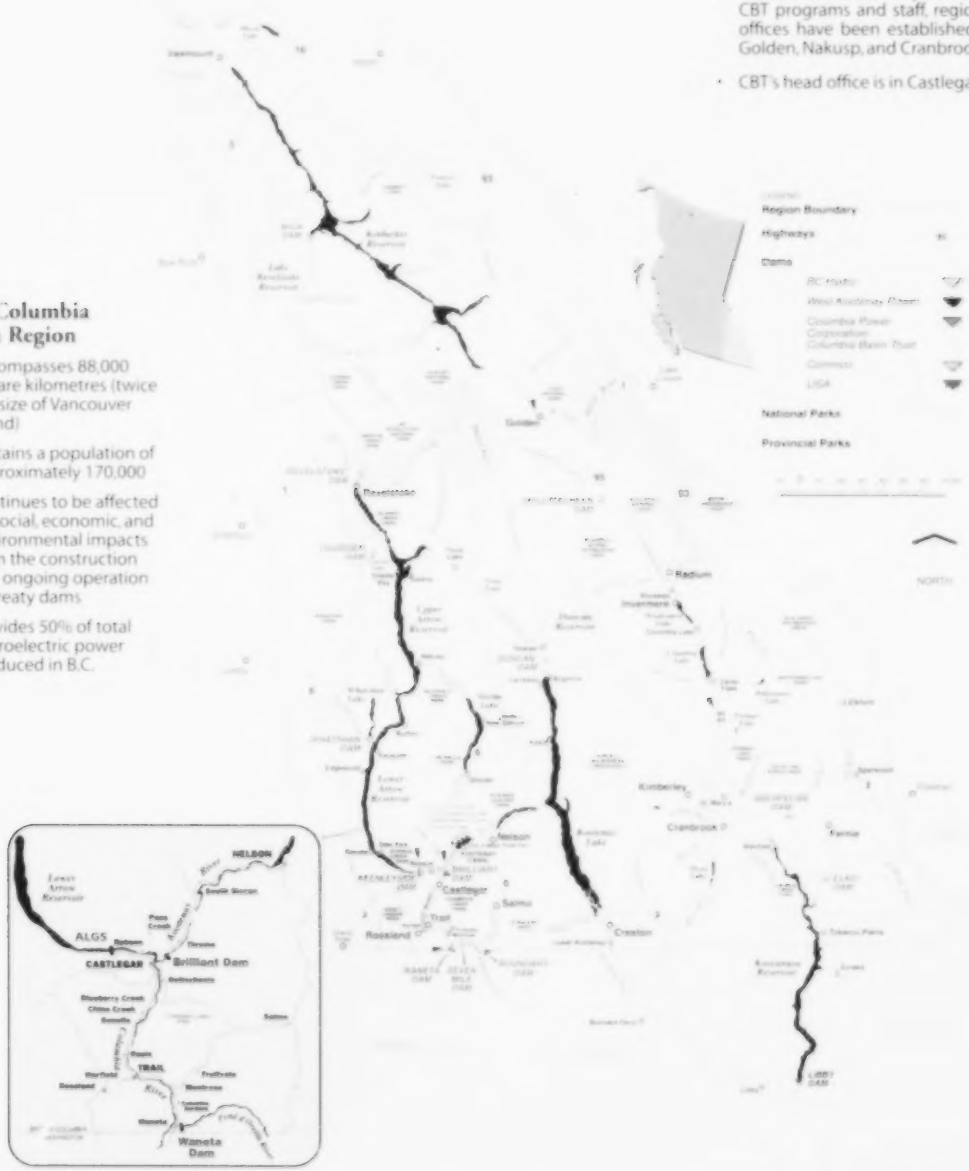
THE COLUMBIA BASIN IN CANADA

Columbia Basin Trust Offices

- In order to ensure easy access to CBT programs and staff, regional offices have been established in Golden, Nakusp, and Cranbrook.
- CBT's head office is in Castlegar.

The Columbia Basin Region

- Encompasses 88,000 square kilometres (twice the size of Vancouver Island)
- Sustains a population of approximately 170,000
- Continues to be affected by social, economic, and environmental impacts from the construction and ongoing operation of Treaty dams
- Provides 50% of total hydroelectric power produced in B.C.



DELIVERY OF BENEFITS – PROMOTING GROWTH AND SELF-SUFFICIENCY BASIN-WIDE

CBT provides social, economic and environmental benefits to Columbia Basin residents in different ways: by giving grants to individual projects, by working with other Basin organizations to develop and financially support programs, and by leading the way on issues affecting all residents, like water management.

Project Highlight

The Castlegar & District Community Services Society provides a range of services to local residents, including counselling, and is just one of over 40 organizations that CBT was able to assist in the last year through the Community Development Program.

Funds from CBT's Community Development Program in 2005-06 helped the Castlegar & District Community Services Society purchase a permanent building. The building purchase means reduced costs for the Society, and puts them in a better position to continue assisting people in need. The funds provided to Castlegar & District Community Services Society are part of the over $600,000 CBT spent in the Basin through the Community Development Program.

Project Highlight

Since 2001, the Basin Business Advocates (BBA) Program has been supporting business owners and helping their businesses grow. Focusing mostly on small to mid-sized businesses, which make up such an important part of the Columbia Basin economy, the BBA provides a "leg-up" for business owners eager to take their business to the next level.

Program services are provided by qualified, professional business advisors who either lead brief counselling sessions to address the immediate concerns of business owners, or undertake an in-depth analysis of a business and provide a written business assessment as a result. Counselling services are provided at no charge.

The program concentrates on financial management, marketing, human resources, inventory, and systems management—all things which can make or break a business. The BBA has helped more than 500 Basin businesses grow, strengthening local economies and helping communities and people become more self-sufficient.

Project Highlight

The Columbia Basin is home to an incredible range of species and habitats, making it one of the most ecologically diverse areas in Canada. Columbia Basin residents recognize that a healthy environment can be the foundation for social and economic progress.

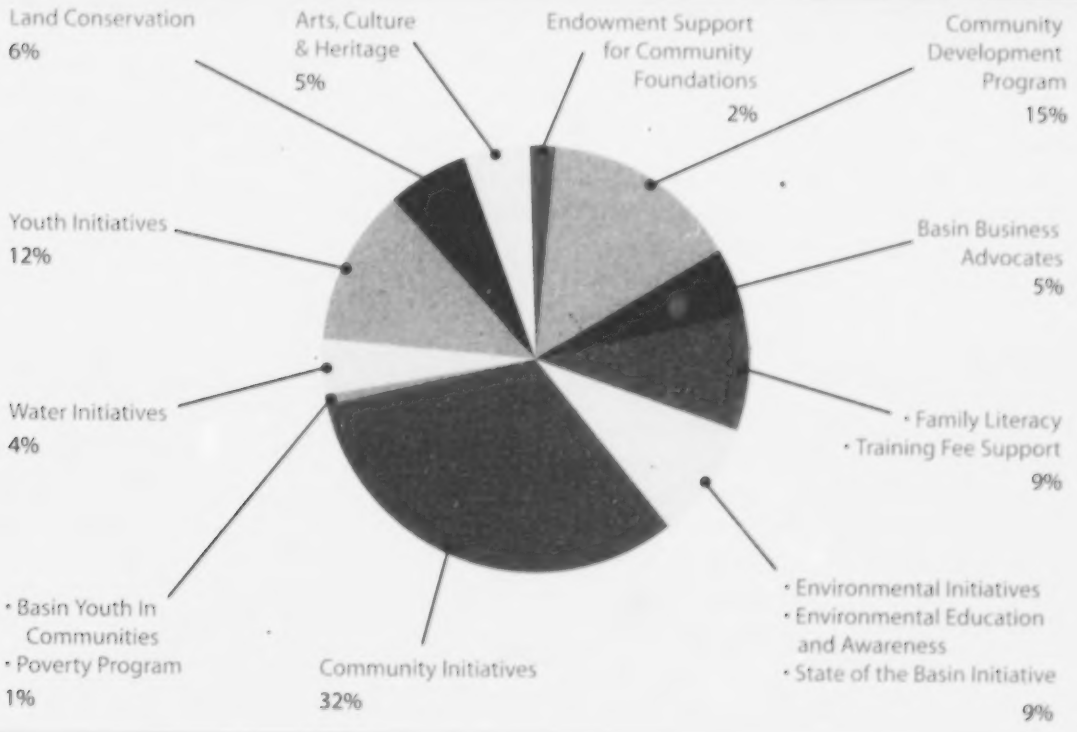
Through the Land Conservation Initiative, CBT supports efforts to purchase ecologically-sensitive land in the Basin so that the land is protected and maintained for a range of community values and activities. Since 1998, working in partnership with local communities, agencies and land conservation organizations, the CBT has invested nearly $700,000 to help identify residents' values and acquire ecologically significant parcels of land. In the last year, CBT helped conserve parcels of land like the Pine Butte Ranch, Luke Creek Wildlife Corridor and Kootenay River Ranch.

CBT helped the Basin grow in 2005-06, by:

- Funding social, economic and environmental projects that demonstrate strong community support, build on a community's strengths and encourage growth through the Community Development Program.
- Partnering with each of the five Regional Districts in the Columbia Basin and the Ktunaxa Nation Council who use CBT funds to support projects that are identified as priorities within their communities through the Community Initiatives Program.
- Providing free and expert counselling to businesses through the Basin Business Advocates Program.
- Sponsoring tuition and course fees for short-term training that helps people get jobs through the Training Fee Support Program.
- Funding for environmental projects in partnerships with Columbia Basin Fish and Wildlife Compensation Program, Columbia Kootenay Fisheries Renewal Partnership and Wildsight through the Environmental Initiatives Program.
- Protecting ecologically-sensitive land and maintaining it for a range of community values through the Land Conservation Initiative.
- Ensuring long-term water quality and quantity issues in the Columbia Basin region are addressed according to residents' values and views.
- Helping Columbia Basin youth become engaged community members by supporting youth-driven and youth-selected projects.
- Creating a forum for Columbia Basin youth to connect with one another and exchange information about issues through a magazine and website: www.scratchonline.ca
- Helping address Basin literacy issues through the Columbia Basin Alliance for Literacy.
- Funding for post-secondary education for high school students volunteering in their communities through the Youth Community Service Award.
- Supporting arts, culture and heritage projects throughout the Basin through the Columbia Kootenay Cultural Alliance.
- Supporting the establishment of community foundations in the Basin by contributing towards their endowment.

(For a full list of CBT programs visit our website: www.cbt.org)

PROGRAM BREAKDOWN FOR 2005-06



Project Highlight

CBT's Water Initiatives Program includes a range of projects, all aimed at increasing the influence of residents on Columbia Basin water management.

CBT sponsored a climate change forum in September 2005 at Selkirk College, which was attended by Columbia Basin residents interested in learning more about the issue and its potential impacts on water resources in the region. CBT also sponsored the completion of a comprehensive climate change report that will give Basin communities access to the latest data and research on projected impacts from climate change.

CBT is encouraging the collaboration of federal, provincial and municipal governments, and United States organizations, on water management matters. This collaboration started with the Canadian Columbia River Forum in the fall of 2005, and CBT hopes to continue on building a partnership network of organizations that will work together to address water issues in the Basin.

Visit http://water.cbt.org/ for more information on CBT's Water Initiatives Program.

Project Highlight

In April, CBT sponsored an exciting opportunity for youth centres in the Columbia Basin. The Youth Centre Connection Conference in Rossland gave Basin youth centres the chance to share experiences and generate new ideas about how to best serve the youth of the region.

The conference was attended by more than 60 youth service providers from 13 youth centres throughout the Columbia Basin, representing a strong commitment from conference delegates to improve the youth services in the region.

Participants at the conference began to think about how they could share their skills and resources, and as a result, will continue working together and develop their own collective voice in the Columbia Basin.

INVESTMENTS – GROWING RETURNS FOR THE BASIN

CBT's investments generate the returns that fund social, economic and environmental projects and programs each year. CBT manages its overall investment portfolio, but carries out some of its investments in partnership with other organizations. Aside from generating financial returns for the organization, the investments in our portfolio also contribute to the social, economic and environmental well-being of the Columbia Basin in various ways: for example, by generating clean, green power, by providing quality care for seniors and by creating jobs in the region.

2005-06 Snapshot

	Amount	% of Investments
Power Projects		
Capital Assets	$361,517,000	77%
Deposit Balance	$37,558,000	8%
Non-power Investments		
Real Estate	$23,608,000	5%
Income Securities	$25,672,000	5%
Business Loans	$12,068,000	3%
Deposit Balance	$7,155,000	2%
	$467,578,000	100%

In 2005-06, CBT added some new investments to its portfolio. Overall, new investment activity was limited as CBT completed an internal reorganization and assessed its past investment performance. CBT is looking forward to increasing its investment activity over the coming year.

Power Projects

CBT is a fifty-fifty partner with Columbia Power Corporation (CPC) on four major power projects in the Basin. CPC manages the projects on behalf of both partners and each

Joseph Creek Care Village

receives half of the net income created through the sale of hydroelectricity from the projects that are up and running. CBT's share of income from power sales, which amounted to over $2.5 million in 2005-06, helps CBT fund projects and programs in the region.

CBT and CPC's operational power projects are the Brilliant Dam on the Kootenay River and the Arrow Lakes Generating Station on the Columbia River. The partners are also constructing the Brilliant Expansion, which has a construction budget of $205 million, and are continuing to investigate the development of the Waneta Expansion on the Pend d'Oreille River.

Real Estate

CBT is the part owner of five housing facilities that provide congregate care for seniors in the Columbia Basin. These facilities are located in Fernie, Invermere, Creston, Castlegar and Cranbrook.

Business Loans

CBT participates in lending syndicates for commercial loans with Columbia Basin credit unions and earns a return on money invested in Basin businesses.

Income Securities

A portion of CBT's investment portfolio rests in short-term income securities, which earn a market rate of return.

Project Highlight

The Joseph Creek Care Village in Cranbrook includes a state-of-the-art, 75-suite, residential care facility uniquely designed to promote a sense of community amongst the residents. It connects to an existing 120-unit facility by a common main street complete with café, general store and chapel. The complex makes the Kootenays home to the largest seniors care facility in the British Columbia interior.

The qualified staff at Joseph Creek, like those in our other congregate care facilities, are dedicated to the physical, mental and spiritual well-being of its residents. Seniors enjoy comfortable housing and compassionate care while maintaining dignity and independence in their daily lives.

Not only does a project like Joseph Creek bring positive financial returns to CBT, it helps provide accessible housing to seniors of the Columbia Basin while keeping them close to their families and communities.

STEP BY STEP

CBT's investments and its social, economic and environmental projects and programs are making the region stronger, and in doing so, are helping to build a stronger British Columbia. In 2005-06, the goals set by the Provincial government for British Columbians were similar to CBT's priorities within the Columbia Basin.

Provincial Goals:

1. Make British Columbia the best-educated, most literate jurisdiction on the continent.

- CBT has funded family literacy programs, awarded scholarships to Columbia Basin students volunteering in their communities and provided tuition for short-term courses that lead to employment.

2. Lead the way in North America in healthy living and physical fitness.

- CBT has funded playgrounds, skate parks and a peer sexual health education program.

3. Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk, and seniors.

- CBT has invested in five seniors' housing projects that provide congregate care.

4. Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.

- CBT's power projects produce green power using a renewable resource and improve fish habitat downstream. CBT and CPC also sponsor fish fertilization for the Arrow Lakes. CBT has funded environmental programs and led water initiatives in the Columbia Basin.

5. Create more jobs per capita than anywhere else in Canada.

- CBT's investments create jobs, including 150 people a year during Brilliant Expansion construction and over 170 full and part-time jobs at seniors' housing projects. CBT's investments in the region also stimulate the creation of secondary employment opportunities.

LOOKING FORWARD

This report on performance compares CBT's results for the 2005-06 year to the goals, strategies and performance expectations described in its February 2006 Service Plan. In preparing its February 2006 Service Plan, CBT made significant changes to previous strategies and measures disclosed in the September 2005 Service Plan Update. For CBT's original 2005-06 strategies and measures, view the September 2005 Service Plan Update, available online at: www.cbt.org

DELIVERY OF BENEFITS

CBT's most important goal is to deliver benefits which strengthen the social, economic and environmental well-being of the Columbia Basin, its residents and communities.

In returning more than $4 million in benefits to the Basin in 2005-06, CBT supported over 500 individual projects, from fish habitat restoration to the purchase of community road rescue equipment.

CBT's strategies for returning benefits were changed in its February 2006 Service Plan. The new strategies are intended to ensure that residents have information about the benefits CBT offers and how to access them, that CBT works with Columbia Basin residents in meaningful ways and that CBT measures its impact on the Basin. These strategic foundations act as guidelines and will help CBT fulfil its goal of strengthening the Basin.

Strategies

- Ensure information is available on its programs to Columbia Basin residents through staff and the website.
- Evaluate the Delivery of Benefits program, including developing ways to measure the impacts of its programs and seek feedback about programs from Columbia Basin residents.
- Develop programs in consultation with advisory committees of Columbia Basin residents in social, economic, environmental, education, arts, culture and heritage and youth areas.

CYCLE OF RETURNING BENEFITS

- Build relationships with individuals, communities, groups and organizations in the Columbia Basin with similar aims.
- Refine application, decision-making and reporting processes for programs.

For CBT, the main challenge in returning benefits is determining how to best use its resources to strengthen the Basin. CBT has a broad mandate, encompassing social, economic and environmental issues, but has finite funds and internal resources with which to achieve this mandate and therefore needs to ensure that the funds and resources are spent in the most effective and efficient way.

As part of its approach in meeting this challenge, CBT revised its previous performance measures and targets in 2005-06. Our previous measures focused heavily on very specific aspects of monitoring and evaluation, and would require additional resources to implement.

CBT is now focused on evaluating the success of its programs and looking at ways to measure the impacts of its initiatives on the region. As each of CBT's initiatives is intended to benefit the people of the Columbia Basin, CBT needs to stay informed about how its programs benefit residents and whether they remain the best way to help the Basin grow stronger. CBT's new measure is therefore "benefits delivered by projects and programs", meaning that CBT will look at how its projects and programs are affecting the Columbia Basin. This measure will encompass the existing program evaluations that CBT performs and will also include the development of indicators on the overall state of the Columbia Basin.

The nature of CBT's measure makes it difficult to benchmark CBT's performance against that of other organizations.

2005-06 Results

In 2005-06, CBT exceeded its first target by looking thoroughly at three of its programs.

CBT conducted an external evaluation of the Basin Business Advocates Program, which provides counselling to small business owners in the region. Past participants in the program were surveyed, and indicated that they found the program valuable. CBT's economic advisory committee of Columbia Basin residents used this feedback to support their recommendation that CBT continue to fund Basin Business Advocates in 2006-07.

CBT also sought an external evaluation of its Youth Community Service Award. Recipients of the Youth Community Service Award receive funding towards their post-secondary education and are

Past, Present and Future

	Results			Targets		
Measure	2003-04	2004-05	2005-06	2005-06	2006-07	2007-08
Benefits delivered by project and programs	No historical results, new measure established in February 2006		Three programs evaluated	Two programs evaluated	At least one program evaluated	At least one program evaluated
			CBT defined the next steps for its state of the Columbia Basin work	Begin developing indicators on the social, economic and environmental state of the Columbia Basin	Complete the development of indicators and compile data in the Columbia Basin	Review and analyze data collected, revise indicators where necessary

selected based on their volunteerism efforts. The evaluation, which included input from award recipients, parents, school personnel and former Board members, demonstrated a high regard for the award, and also suggested there might be other ways to best assist Basin youth in pursuing post-secondary education. As a result of the evaluation process, CBT will continue a modified version of the Youth Community Service Award and will examine ways to broaden its support to Basin residents pursuing post-secondary education in 2006-07.

In addition to these evaluations, CBT's advisory committee of young Columbia Basin residents reassessed CBT's youth programs. The committee decided they could more effectively build youth capacity by supporting initiatives emerging from individuals or organizations within the Basin. As a result of the review, funds for youth initiatives were shifted to enhance the Columbia Basin Youth Grants Program. This program awards grants to innovative projects that are organized for youth and involve youth in every stage of project development and implementation.

CBT did not begin to develop indicators on the state of the Columbia Basin in 2005-06 but did better define its next steps in this process to ensure a balanced and collaborative approach. While CBT is committed to this strategic work, it was too early in the process to begin to develop indicators on the state of the Basin.

The sources of data related to the delivery of benefits measure vary. An external consultant prepared two of the three evaluations, while CBT's advisory committee of Columbia Basin youth conducted an internal assessment of their program. CBT is responsible for monitoring the status of its state of the Basin work, and that work is also reviewed by advisory committees of Basin residents and the Delivery of Benefits Committee. The Delivery of Benefits Committee also reviews the results of CBT's program evaluations.

INVESTMENTS

In keeping with the spirit of our 10-year anniversary, CBT has been reflecting on its past investment successes and challenges. This review encompasses both our power project investments with CPC and our investments outside of power projects.

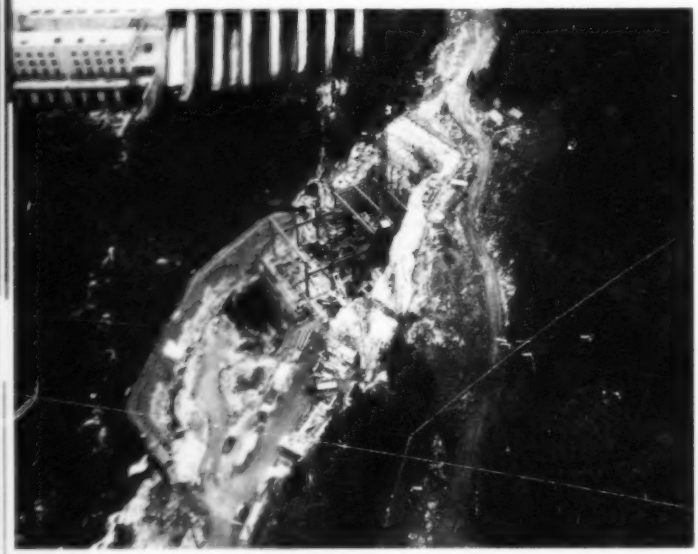
Given that CBT will now be able to nominate one-third of CPC's Board, and the region will have a greater say in the management of the power projects, CBT Energy (CBT's subsidiary) is taking less of an operational role in the management of the power projects on behalf of CBT.

The power projects are part of CBT's current overall investment review and will be subject to the same financial scrutiny and evaluation as the non-power assets. CBT's new investment policy will clearly address this category of investment and include performance and monitoring standards consistent with market practice.

Certain segments of our non-power portfolio have performed extraordinarily well – an example being our investment in congregate care facilities. These projects are not only investments in real estate, they are also an investment in the seniors of the Columbia Basin.

Unfortunately there have been other areas of the portfolio that have not performed to expectation. A decision has been made to no longer pursue opportunities in venture capital given the depth of expertise required to review, manage, and advise these companies in the early stages of their development.

In addition, a significant portion of the non-power portfolio is maintained in bank accounts or short term investment vehicles that generate a rate of return only modestly higher than the rate of inflation. Although these investments are effectively 100 per cent secure, CBT is evaluating whether this is the most efficient use of the funds.



Given CBT's changing role in the management of the power projects and the performance of the non-power investments, CBT has determined it timely to conduct a comprehensive review of its investment management to ensure it continues to deliver on its stated goals. All areas of the program are under review and the assessment will encompass not only investment allocation and risk tolerance, but governance and how often and in what form CBT reports performance. In the coming year, CBT expects to deliver an investment policy that is (1) consistent with the mandate of CBT (2) relevant in its relationship to performance expectations and (3) transparent and available to residents of the Basin.

Power Project Investments

Overall, CPC calculated a return on equity from the power projects of 0.1 per cent for the last year. This low return is a result of repair costs at Arrow Lakes Generating Station and the substantial investment in the Brilliant Expansion, from which a return will not be achieved until commercial operation begins in 2007-08. CBT is optimistic that the performance of its power projects investments with CPC, including Arrow Lakes Generating Station, will improve over the next year.

Arrow Lakes Generating Station

The most pressing priority in the last year was completion of permanent repairs to the concrete intake channel lining of the Arrow Lakes Generating Station. Work proceeded on a fast track basis to take advantage of low reservoir levels, and the repairs have been completed on time and budget. Commercial operations resumed in mid May 2006.

Now that repair work is complete, CBT and CPC will be taking all necessary steps to recover construction expenses and lost revenue due to the shutdown. Remedies exist under insurance policies, design-build contracts, and construction warranties.

Energy produced at Arrow Lakes Generating Station is sold to BC Hydro under a long-term contract.

Brilliant Dam

The Brilliant Dam continued to perform well over the last year with power sales income exceeding forecast. CBT and CPC completed upgrades to the Brilliant Dam in 2002, and part of the additional energy from those upgrades, equal to 5

per cent of total generation sales, was sold under a new contract at market-based prices in 2005-06. This sale is largely responsible for the favourable difference from the forecast. Almost all of the power produced at the Brilliant Dam is sold to FortisBC through a long-term contract. Most of the planned improvements to the Brilliant Dam, including the upgrades, life extension work and construction of a new switchyard and the Brilliant Terminal Station, have been completed and as a result capital expenditures for Brilliant Dam are expected to decrease significantly over the coming years.

Brilliant Expansion

In 2005-06, construction of the Brilliant Expansion continued with the project experiencing increased pressure on the work schedule. Commercial operation was originally planned for August 2006 but a revised work schedule has pushed completion to May 2007. Although costs incurred to date are consistent with budget, CBT and CPC may be subject to contractor claims arising in the course of project construction.

Approximately 40 per cent of future generation from the Brilliant Expansion has been sold to BC Hydro and a further proposal has been submitted for most of the remaining power in response to BC Hydro's 2006 call for tenders. CBT and CPC expect to learn the results of their tender later in the year.

Waneta Expansion

Work continued on the pre-development phase of the Waneta Expansion. The Environmental Assessment Certificate Application was submitted to government agencies and will be available for public review in mid 2006. While the review of the Application is carried out, work will continue on assessing the financial feasibility of the project as well as the various geotechnical, concept and operational studies required for a design-build competition.

Non-Power Investments

CBT's primary goal for its non-power investments has been to maximize the expected return of the assets, subject to preserving the real value of the capital over the long term with an acceptable degree of risk. In 2005-06, CBT amended this goal so that it clearly stated that the primary purpose of CBT's investments is to achieve the greatest possible return from the portfolio relative to the risks faced. CBT also simplified its strategies in 2005-06 and anticipates implementing new strategies once its investment policy is complete.

Strategies

- Investments are made in accordance with Board-approved policy.
- Investments will be made and managed prudently in recognition of inherent risks, including operating risks, financial risks and liquidity risk.

The wording of CBT's investment measure has changed from "current annual return" to "nominal annual return" in order to more accurately reflect the information presented by the measure. CBT is no longer using the measure "average annual return on investment" as it is redundant to the nominal return.

Results

Our return on investment of 2.9 per cent was below the 6 per cent target. This was a result of two major factors: close to historically low domestic interest rates which affected CBT's income-producing securities and assignment of loan loss provisions to investments in CBT's loan syndication portfolio.

As fluctuations in interest rates are largely outside the control of management, CBT is looking at other ways of investing the funds currently held in income producing securities.

Management has reviewed our entire investment portfolio, and we have taken actions to rebalance risk, such as requesting that certain loans be repaid. This repayment was accomplished without disruption to the borrowers and, although the balance of our portfolio has fallen, the risk profile has been significantly improved.

Some of our investments, like Kicking Horse Mountain Resort in Golden and our congregate care facilities, generated strong positive returns. Overall, CBT's investment performance has improved significantly relative to the previous two years. With the introduction of a new investment policy expected in 2006-07, we are optimistic that the performance of the non-power portfolio will continue to improve.

Part of CBT's investment policy work over the coming year will include the development of benchmarks. CBT is looking at ways to compare the performance of each aspect of its investment portfolio to an industry standard for that type of investment.

Performance of the portfolio is actively monitored by CBT management, with oversight from the Investment Committee. When negative trends are discovered, management makes every effort to mitigate the impact on performance.

Historical rate of return calculations have been adjusted to include CBT's portion of interest income from various joint venture bank accounts managed by CPC. Previously reported returns of negative 13.8 per cent and negative 1.1 per cent in 2003-04 and 2004-05 have been adjusted to negative 10.9 per cent and negative 0.6 per cent respectively.

CORPORATE SERVICES

In addition to management of the Delivery of Benefits program and investments portfolio, corporate services at CBT include executive management, planning, monitoring and evaluation, accounting, administration, information technology, communications, human resources and records management. The operation of each of these functions affects CBT's ability to do its job. The main goal of CBT's corporate services is therefore to support and enable the effective management of the investment portfolio and Delivery of Benefits program.

CBT introduced new strategies in its February 2006 Service Plan. These new strategies emphasize the importance of strategic planning and human resources to the organization.

Past, Present and Future

	Results			Targets		
Measure	2003-04	2004-05	2005-06	2005-06	2006-07	2007-08
Nominal annual return on investment	(10.9%)	(0.6%)	2.9%	6%	6%	6%

Strategies

- CBT will refine its annual planning processes and set strategic goals and priorities for the organization, including ensuring that it has the corporate capacity to meet the needs of the investment portfolio and Delivery of Benefits program.
- CBT will review its corporate service areas and overall operations to ensure they are conducted efficiently.
- CBT will review and refine human resource policies and practices, including job descriptions, performance reviews, succession planning and hiring practices.

CBT is no longer using its previous performance measure for corporate services and created one new measure in its February 2006 Service Plan. The previous measure was only an internal rating of effectiveness, and did not assess the efficiency of CBT's operations. The new measure compares the costs of CBT's operations to the revenues it earns.

Results

This year, CBT exceeded its target as corporate operations as a percentage of revenues came to 21 per cent. The performance of CBT's investments directly affects the revenues that CBT earns during the year. When setting the target of 28 per cent, CBT anticipated a lower level of power project revenue, and at year end, revenue from the power projects was higher than CBT anticipated. Numerous factors have the potential to affect the cost of CBT's corporate operations, but in the last year, the actual cost of CBT's corporate operations was consistent with CBT's forecast.

Overall, CBT's 2005-06 revenues were higher than the forecast for next year because of the $10 million in new funding from the Province. Because revenues may be lower in 2006-07, next year's target is 46 per cent. CBT does not expect any significant increases to the cost of its corporate operations in 2006-07.

The target for 2007-08 decreases to 15 per cent due to anticipated increases in power project revenues.

CBT will be reviewing its internal structure to ensure overall corporate effectiveness and efficiency, and to ensure that CBT is able to stay on budget. CBT will also be developing an enterprise risk management program in the next year to ensure all risks are actively managed and to embed active risk management in all CBT functions.

In the coming year, CBT will also be considering how it can compare its level of efficiency to that of other organizations.

CBT prepares forecasts of its revenues and corporate operations costs quarterly, and the revenues and corporate operations figures are part of CBT's audited financial statements.

Past, Present and Future

	Results			Targets		
Measure	2003-04	2004-05	2005-06	2005-06	2006-07	2007-08
Corporate operations as a percentage of revenue	25%	32%	21%	28%	46%	15%

In order to carry out its mission on behalf of Columbia Basin residents and remain accountable to both residents and the Province of BC as its shareholder, the CBT Board is responsible for establishing and following sound governance principles and processes.

CBT's governance principles include:

Inclusiveness

A balance of different perspectives is valuable to CBT's decision-making process.

Respect

Respect for colleagues and respect for Columbia Basin residents.

Transparency

Actions and decisions of CBT are transparent and open to Columbia Basin residents.

Service

Act in the best interests of CBT, which serves the Columbia Basin region as a whole.

The Board of Directors ensures that the Basin Regional Districts and the Ktunaxa Nation Council are aware of CBT's activities and major initiatives, and also communicates with the Ministry of Economic Development, which provides information on the Province's activities and major initiatives. Maintaining a dialogue with these organizations is one of the ways CBT upholds its principles of transparency and inclusiveness.

For more information on CBT's governance practices, visit: www.cbt.org

Board of Directors

Josh Smienk, Chair	Garry Merkel, Vice Chair
Mike Berg	Dieter Bogs
Evelyn Cutts	Greg Deck
Jackie Drysdale*	Mark McKee*
Ron Miles	Jim Miller
Mike Rouse	Jeannette Townsend

* Terms for Jackie Drysdale and Mark McKee ended on March 31, 2006. Denise Birdstone and Ron Oszust were appointed to the Board as of March 31, 2006.

Senior Management

Neil Muth, Chief Executive Officer
Bob Krysac, Chief Financial Officer
Jane Hutchins, Manager, Operations and Planning
Sabrina Curtis, Community Liaison
Kindy Gosal, Manager, Water Initiatives
Wayne Lundeberg, Community Liaison
Johnny Strilaeff, Manager, Investments
Doug Switzer, Community Liaison

Committees of the Board as of March 31, 2006

The Executive Committee oversees matters on behalf of the Board of Directors.

Josh Smienk, Chair	Garry Merkel, Vice Chair
Greg Deck	Mike Rouse

The Audit Committee is responsible for financial oversight and ensures that CBT's financial information is accurate.

Mike Berg, Chair	Jeannette Townsend
Ron Miles	

The Investment Committee oversees the management of CBT's investments and develops and reviews investment policies and procedures.

Mike Rouse, Chair	Jim Miller
Greg Deck	Josh Smienk

The Delivery of Benefits Committee is a Board and staff committee that recommends an overall approach to returning benefits to the Board, and is responsible for the administration of CBT's Community Development Program.

Jackie Drysdale, Chair
Josh Smienk
Dieter Bogs
Mark McKee
Ron Miles
Jane Hutchins, Vice Chair
Neil Muth
Sabrina Curtis
Doug Switzer

The Water Initiatives Committee is responsible for developing and overseeing the implementation of a strategy to address water initiatives in the Columbia Basin.

Garry Merkel, Chair
Dieter Bogs
Josh Smienk
Evelyn Cutts
Jeannette Townsend

Boards of CBT Subsidiaries

For commercial and legal reasons, CBT has a number of subsidiaries that hold CBT's interests both in power projects and other investments, including commercial loans and real estate. The boards of these subsidiaries do not generally deal with policy matters, which are instead addressed by the CBT Board.

CBT Commercial Finance Corp. holds CBT's interests in commercial loans.

Neil Muth
Bob Krysac
Johnny Strilaeff

CBT Real Estate Investment Corp. holds CBT's interests in real estate.

Neil Muth
Bob Krysac
Johnny Strilaeff

CBT Venture Capital Corp. holds CBT's interests in venture capital investments.

Neil Muth
Bob Krysac
Johnny Strilaeff

CBT Energy (CBTE) is the main CBT subsidiary relating to power projects.

Josh Smienk
George Fraser
Ron Miles
Cam Osler

CBT Arrow Lakes Power Development Corp. is a subsidiary of CBTE and holds its interests in the Arrow Lakes Generating Station joint venture with CPC.

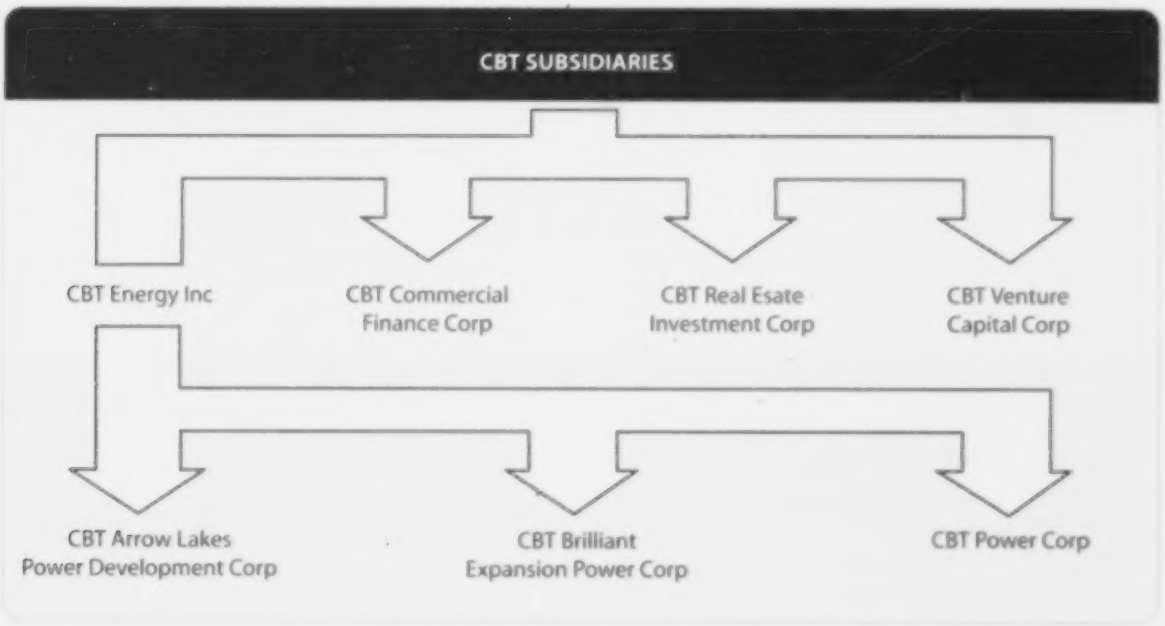
Josh Smienk
Ron Miles

CBT Brilliant Expansion Power Corp. is a subsidiary of CBTE and holds its interests in the Brilliant Expansion joint venture with CPC.

Josh Smienk
Ron Miles

CBT Power Corp. is a subsidiary of CBTE and holds its interests in the Brilliant Dam joint venture with CPC. CBT Power Corp. also holds CBTE's interests in the Power Project Planning Joint Venture with CPC, which is responsible for assessing power projects before they are developed.

Josh Smienk
Ron Miles


CBT SUBSIDIARIES
CBT Energy Inc
CBT Commercial Finance Corp
CBT Real Esate Investment Corp
CBT Venture Capital Corp
CBT Arrow Lakes Power Development Corp
CBT Brilliant Expansion Power Corp
CBT Power Corp

Overview

The Columbia Basin Trust (CBT) has the majority of its capital invested in hydro-electric energy assets in the Columbia Basin region. It also has a portfolio of investments placed in non-power assets such as real estate and commercial loans. CBT is committed to investing this capital in such a manner that it generates a steady stream of income that can be used to support the disbursement of higher levels of future benefits in the region, allowing CBT to fulfill its mission.

CBT faces a number of business and economic risks in the deployment of this investment strategy. Losses due to the risks associated with the construction and operation of hydro-electric power plants are still very probable and are a critical factor that CBT and Columbia Power Corporation (CPC) have to mitigate as much as possible. CBT must also mitigate risks associated with the non-power portion of its investment capital.

Overall, CBT's financial position improved in 2005-06 with an increase in net assets by $31,000,000 to $344,000,000 at the end of the fiscal year.

Key Performance Drivers

The successful construction and operation of hydro-electric power plants is critical to the success of the organization. CBT has the majority of its capital invested in these assets and is highly dependent on the timely completion of these power plants in order to be able to deliver a consistent level of benefits over time. The sale of energy from a completed power plant at an attractive price is also essential to the success of the organization. In order to deliver progressively higher levels of benefits over time, CBT has to be able to rely on a steady stream of income from its non-power investments. Finally, delivering benefits in a cost effective manner is important for the organization's credibility and overall efficiency.

COMPARISON - SERVICE PLAN FORECASTS TO ACTUALS
2005-06

(in thousands)	Actual	Forecast	Variance
REVENUES			
Net investment income			
Power projects	$ 2,539	$ (2,290)	$ 4,829
Business loans	744	1,200	(456)
Income securities	563	475	88
Real estate	97	110	(13)
	3,943	(505)	4,448
Contribution			
Province of B.C.	12,110	12,000	110
	16,053	11,495	4,558
OPERATING EXPENSES	**3,424**	**3,226**	**198**
OPERATING INCOME	**12,629**	**8,269**	**4,360**
Investment write-downs	-	650	(650)
Delivery of benefits	4,156	5,000	(844)
SURPLUS OF REVENUES OVER EXPENSES	**$ 8,473**	**$ 2,619**	**$ 5,854**

Capability to Deliver Results

The tremendous increase in energy costs over the past couple of years has made it easier to access the capital markets to finance the construction of hydro-electric power plants. CBT and CPC are exploring various financing options in order to take advantage of the current market conditions and put the financing in place to complete the existing plant under construction, Brilliant Expansion, and to have the capacity to finance the construction of the Waneta Expansion. The past experience gained from the construction of the Arrow Lakes Generating Station (ALGS) and the ongoing construction of the Brilliant Expansion has provided CBT and CPC with the necessary expertise to successfully build and operate hydro-electric power plants. The adoption of a more conservative approach to investing the non-power investment capital should generate more consistent returns and a steady stream of income without unexpected losses from high risk investments.

Results of Operations

In comparison to the forecasts of the February 2006 Service Plan, overall revenues were higher by $4,558,000, operating expenses were higher by $198,000 and operating income was higher by $4,360,000. CBT had 30 FTEs in the year, just below forecast of 30.5 FTEs in the February 2006 Service Plan. After the net effect of delivery of benefits disbursements that were lower by $844,000, the overall surplus of revenues over expenses was higher by $5,854,000. In the February 2006 Service Plan, a net loss from power projects of $2,290,000 was forecast compared to the actual income of $2,539,000. The February forecast accounted for all of the costs incurred on the ALGS channel as expenses rather than as additions to the capital cost of the plant. This $4,829,000 change in power project net income accounted for the majority of the difference between actual and overall forecasted revenues.

CBT and CPC's 2005-06 investing activities related to the power projects were funded in part by the final $50,000,000 contribution from the Province under the 1995 Financial Agreement.

Power project income declined by over 55 per cent in comparison to last year as a result of the costs of the temporary and permanent repairs to the channel at ALGS that were completed in the year.

Arrow Lakes Generating Station

Although there was a decreased amortization provision for ALGS, net income from the project declined from $2,877,000 in the previous year to a loss of $1,405,000 in the current year due to the cost of permanent and temporary repairs. The temporary repairs were required to prevent any further damage from occurring to the channel until the permanent repairs were completed. Completion of the permanent repairs was achieved by mid-May 2006. The costs incurred to repair the channel on a temporary basis were expensed in the year, as were the costs incurred to restore the channel to its original operating condition.

All necessary steps are being taken to recover the losses incurred to repair the channel, including pursuing remedies under the design-build contract and its insurance policies, and CBT and CPC therefore expect to recover the costs. The total cost of the channel damage repairs to CBT, including lost revenues, came to $20,800,000 as of March 31, 2006. To date, CBT has received advances totaling $7,000,000 from its property insurer toward the settlement of its insurance claim, and has recorded in its financial statements an expected further recovery of $1,400,000. The final financial impact of the channel damage cannot be determined with certainty at this time.

Brilliant Dam

CBT's share of income from the Brilliant Dam was $4,862,000 in the current year compared to $3,505,000 that was earned in the previous year. This 39 per cent increase is due to an escalation in power sales revenue and reduced amortization expense. The amount of power sold by Brilliant Power Corporation (the corporation holding CBT's and CPC's

interests in Brilliant Dam) during the year to FortisBC, as determined by the Brilliant energy entitlement received under the Canal Plant Agreement, was 989,538 megawatt-hours, compared to 980,848 megawatt-hours in the previous year. The sale of the upgrade regulated entitlement under a short-term contract with Powerex was at higher than expected prices. During the year, the accounting method used to amortize the Brilliant Dam was changed to amortize costs over the life of the assets rather than matching revenue cycles. This resulted in a decrease in amortization expense by $600,000 for the fiscal year (CBT's portion was $300,000).

Brilliant Expansion

In the last year, an additional $22,966,000 in construction expenditures were incurred by the Brilliant Expansion Power Corporation (the corporation holding CBT's and CPC's interests in the Brilliant Expansion). CBT's portion of the expenditures was $11,483,000. The major phases of the Brilliant Expansion project that were completed over this time period included the excavation of the powerhouse, powerhouse concrete works, powerhouse structural steel works, tailrace improvements and intake works. Construction delays have deferred the timing of actual operations from August 2006 to May 2007.

Business Loans

Business loan income was significantly lower than the previous year due to a loan provision for $650,000 for two non-performing loans associated with properties in the hospitality industry. Business loan income on the Kicking Horse Mountain Resort loan was higher with the receipt of a participating component tied to real estate sales at the Resort. Real estate sales at the Resort over the last couple of years have been very active and CBT received an additional cash payment in the year under the participating portion of the loan agreement that is in place with the Resort. Business loan income under

CBT'S RESULTS - FIVE YEAR REVIEW

(in thousands)	2005-06	2004-05	2003-04	2002-03	2001-02
REVENUES					
Net investment income					
Power projects	$ 2,539	$ 5,672	$ 7,633	$ 13,636	$ 2,265
Business loans	744	1,112	1,124	1,582	1,496
Income securities	563	467	665	794	1,170
Real estate	97	33	(47)	(97)	30
Venture capital	-	-	(47)	(111)	-
	3,943	7,284	9,328	15,804	4,961
Contribution					
Province of B.C.	12,110	2,000	2,000	2,000	2,000
	16,053	9,284	11,328	17,804	6,961
OPERATING EXPENSES	**3,424**	**3,012**	**2,795**	**3,233**	**3,817**
OPERATING INCOME	**12,629**	**6,272**	**8,533**	**14,571**	**3,144**
Investment write-downs	-	3,778	7,767	576	1,704
Delivery of benefits	4,156	4,276	3,866	4,036	4,772
SURPLUS (DEFICIT) OF REVENUES OVER EXPENSES	**$ 8,473**	**$ (1,782)**	**$ (3,100)**	**$ 9,959**	**$ (3,332)**

the regional lending program was $43,000 lower than the previous year due to the payout of several loans.

Income Securities

Interest income from income securities was $96,000 higher in comparison to the previous year due to significantly higher cash and income security balances. CBT retained a much higher percentage of its non-power investment capital in cash and short term securities pending a final decision on CBT's investment policy and the reinvestment of this capital.

Real Estate

Income from real estate investments increased by $64,000 in the year largely due to CBT's investments in congregate care facilities in the Basin. Income and cash flow was received from two properties that were in full operation for the complete year. The completion of construction of two additional facilities in the year will provide even higher levels of income and cash flow in future years.

Return on Non-Power Investments

The annual rate of return of the non-power investments was 2.9 per cent in comparison to negative 0.6 per cent in the previous year. The current year rate of return figures were largely affected by the loan provision of $650,000 recorded in the year against two commercial loans under the loan syndication program. These actual rates of return figures were well under the forecasted rate of return figures in the February 2006 Service Plan.

Other Sources of Funding

CBT did not proceed with its option to purchase CPC. CBT and the Province instead reached an agreement that gives the region greater input into the management of the power projects. As part of this agreement, CBT received $10,000,000 in new funding from the Province. The additional $10,000,000 in revenue along with the $2,000,000 from the Province under the 1995 Financial Agreement offsets the negative financial impact to CBT of the cost of the repairs to the Arrow Lakes channel.

Delivery of Benefits

Funds disbursed for the delivery of benefits were over $4,000,000 for the second consecutive year. CBT was able to disburse $4,156,000 in comparison to $4,276,000 in the previous year. CBT disbursed less than the $5,000,000 forecast in its February 2006 Service Plan because some payments for projects approved in the last fiscal year have not yet been made. These funds were widely disbursed across virtually all of the communities in the Columbia Basin region through a range of programs. As revenue and income grows from CBT's investments, these disbursements in the Columbia Basin are expected to increase in the future.

Risks

There are tremendous risks involved in the construction of a hydro-electric power plant through the design-build process. The risk of delay in the completion of a power plant is very significant, as demonstrated by the expected delay of the Brilliant Expansion project. Energy pricing risk is very significant, especially given the volatility of the energy markets over the past couple of years. The risk of higher long term interest rates increases the cost of financing the construction of a power plant. The recent increase in interest rates from historic lows makes this risk even more prominent in today's economic environment. CBT also faces risks related to its non-power investments as there are limited opportunities for portfolio diversification within the Columbia Basin.

COLUMBIA BASIN TRUST

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2006

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RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present CBT's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The financial statements have been approved on behalf of CBT's Board of Directors by the Board's Executive Committee.

Management has established and maintained appropriate systems of internal control including policies and procedures which are designed to provide reasonable assurance that CBT's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of financial statements.

The independent external auditors, Yule Anderson Johnstone, Chartered Accountants, have been appointed by CBT's Board of Directors to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, CBT's financial position, results of operations, changes in net assets and cash flows in conformity with Canadian generally accepted accounting principles. The report of Yule Anderson Johnstone, Chartered Accountants is included below and outlines the scope of their examination and their opinion on the consolidated financial statements.

Neil Muth
Chief Executive Officer

Robert Krysac, C.G.A., C.P.A.
Chief Financial Officer

AUDITOR'S REPORT

To the Directors of Columbia Basin Trust:

To the Minister of Economic Development:

We have audited the consolidated statement of financial position of Columbia Basin Trust as at March 31, 2006 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Basin Trust as at March 31, 2006 and the results of its operations, changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Yule Anderson Johnstone

Castlegar, B.C.
May 26, 2006

CHARTERED ACCOUNTANTS

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2006
(in thousands of dollars)

	2006	2005
ASSETS		
CURRENT		
Cash and temporary investments (Note 3)	$ 39,558	$ 29,726
Unbilled power project revenue	4,702	4,633
Insurance and other receivables (Note 4)	3,771	4,024
	48,031	38,383
INVESTMENTS		
Power projects (Note 9)	361,517	351,662
Income securities (Note 5)	30,827	15,007
Business loans (Note 6)	12,068	15,825
Real estate (Note 7)	23,608	12,607
	428,020	395,101
OTHER		
Commitment receivable from Province of B.C.	-	28,126
Deferred amounts (Note 10)	24,082	22,258
	24,082	50,384
	$ 500,133	$ 483,868
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 13,996	$ 8,676
Accrued interest expense	3,015	3,133
Current portion of long-term debt (Note 11)	5,664	5,142
	22,675	16,951
LONG-TERM DEBT		
Long-term debt (Note 11)	133,729	130,707
Advance from Columbia Power Corporation	-	23,088
	133,729	153,795
NET ASSETS (Restricted To)		
Power project investments (Note 15(a))	277,453	255,058
Non-power investments (Note 15(b))	54,943	53,754
Delivery of benefits (Note 15(c))	11,333	4,310
	343,729	313,122
	$ 500,133	$ 483,868

Approved on behalf of the Board of Directors:

_____ Director

_____ Director

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDING MARCH 31, 2006
(in thousands of dollars)

	2006	2005
REVENUES		
Net investment income		
Power projects (Note 9)	$ 2,539	$ 5,672
Business loans (Note 6)	744	1,112
Income securities	563	467
Real estate (Note 7)	97	33
	3,943	7,284
Contributions from the Province of B.C.		
Special contributions (Note 20)	10,110	-
Operating grant (Note 1(b))	2,000	2,000
	12,110	2,000
	16,053	9,284
OPERATING EXPENSES		
Board and committee expenses	135	158
Staff remuneration and development	2,223	1,857
Public relations	210	108
Professional and consultants fees	125	126
Corporate travel and meetings	122	175
Information technology/systems	89	115
Office and general	336	291
Amortization	184	182
	3,424	3,012
OPERATING INCOME	12,629	6,272
Investment program write-downs and write-offs	-	3,778
Delivery of benefits (Note 17)	4,156	4,276
EXCESS OF REVENUES OVER EXPENSES	$ 8,473	$ (1,782)

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2006
(in thousands of dollars)

	Restricted To				
	Power Projects Investments	Non-Power Investments	Delivery of Benefits	2006	2005
NET ASSETS, beginning of year	$ 255,058	$ 53,754	$ 4,310	$ 313,122	$ 293,140
Power project financing earned from the Province of B.C.	22,134	-	-	22,134	21,764
Excess of expenses over revenues	-	-	8,473	8,473	(1,782)
Additional power project cash distributions available for the spending program	261	-	(261)	-	-
Minimum reinvestment required to maintain endowment capital	-	1,189	(1,189)	-	-
NET ASSETS, end of year	$ 277,453	$ 54,943	$ 11,333	$ 343,729	$ 313,122

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING MARCH 31, 2006
(in thousands of dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from investment deposits and securities income	$ 563	$ 453
Cash received from business loan income	1,485	1,114
Cash received from rental income	551	281
Cash generated by power project joint ventures and distributed	4,600	4,450
Cash generated by power project joint ventures and not distributed	5,106	6,540
Cash received from the Province of B.C.	12,110	2,000
Cash paid for Columbia Basin Initiative restructuring costs	-	(1,144)
Cash paid for operating expenses	(3,501)	(2,857)
Cash paid for spending program disbursements	(4,156)	(4,276)
	16,758	6,561
CASH FLOWS APPLIED TO INVESTING ACTIVITIES		
Investment in power projects	(11,573)	(40,299)
Investment in deferred power project costs	(1,745)	(1,518)
Purchase of investment deposits and securities	(15,820)	(4,111)
Investment in business loans	3,181	1,273
Investment in real estate projects	(11,553)	(5,325)
Investment in venture capital	-	(120)
Purchase of Trust office assets	(268)	(86)
	(37,778)	(50,186)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from the Province of B.C.	50,000	50,000
Repayment of long term advance from Columbia Power Corporation	(23,088)	(28,235)
Proceeds from placement of long-term debt	9,132	27,384
Repayment of long-term debt	(5,192)	(4,321)
	30,852	44,828
INCREASE IN CASH	9,832	1,203
CASH, beginning of period	29,726	28,523
CASH, end of period	$ 39,558	$ 29,726

1. NATURE OF COLUMBIA BASIN TRUST

(a) Columbia Basin Trust Act, 1995, Columbia Basin Trust Amendment Act, 2003

Columbia Basin Trust (CBT) is a not-for-profit corporation established on July 6, 1995 when Royal Assent was given to the Columbia Basin Trust Act. On January 15, 2004, the Columbia Basin Trust Amendment Act, 2003 came into force. The original Columbia Basin Trust Act states that CBT is not an agent of the Province, which remained the same under the Amendment Act. The Amendment Act states that CBT has the power and capacity of a natural person and has been continued as a regionally based Crown corporation with a legislated mandate to invest in the economic, social and environmental well being of the region. The sole share of CBT is to be held by the Minister of Finance on behalf of the Province.

(b) Funding of Columbia Basin Trust and Power Project Investments

Under the Agreement of July 27, 1995 between the Province and CBT, the Province will pay CBT, for purposes of paying operating expenses, $2,000 annually through the year 2010 (a total commitment of $32,000). On April 1, 1996, the Province made a regional benefit program payment to CBT of $45,000. The Province paid CBT, for the purposes of investing in power projects, the sum of $250,000 by payments of $50,000 on April 1st of each of the years 2001 through 2005 and an additional payment on April 1, 2000 equal to half the book value of the Expansion Rights Amount. The book value of the Expansion Rights Amount as at March 31, 1997 was $51,850. Columbia Power Corporation (CPC) was incorporated under the Company Act in 1994 to hold power development assets purchased from Cominco Ltd. CPC is an agent of the Crown and manages commercial joint ventures with CBT to develop and operate power projects in the region. The Province invested $250,000 in CPC, for the purpose of paying capital costs of the power projects, by payments of $50,000 on April 1st of each of the years 1996 through 2000 and a reduction in the April 1, 2000 payment equal to half the book value of the Expansion Rights Amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The accounts of CBT and its subsidiaries are consolidated in these financial statements. Intercompany balances and transactions have been eliminated. The interest of CBT's subsidiaries in joint ventures is consolidated by CBT on a proportionate basis. Under the proportionate consolidation method, CBT records, on a line-by-line basis within its consolidated financial statements and notes, its proportionate share of the joint ventures' assets, liabilities, revenues, expenses and cash flows.

(b) Revenue Recognition

CBT follows the deferral method of accounting for contributions. Endowment contributions are recognized as direct increases in net assets. Future power project financing payments are recognized as a long-term commitment receivable from the Province to the extent that they have been earned, and based on the criteria that the amount earned can be reasonably estimated and ultimate receipt from the Province is reasonably assured.

(c) Income Securities

Deposits and short-term debt securities held for investment purposes are recorded at cost, which approximates market value. If the value of a particular deposit or security held for investment suffers an other than temporary decline in value the carrying value is written down accordingly. All gains and losses on sales of securities, write-downs to record other than temporary declines in the values of deposits or securities held for investment, and the amortization of discounts or premiums are included in net investment income.

(d) Business Loans

Loans are stated net of an allowance established to recognize anticipated losses. This allowance is determined by reference to specific loans in arrears and by judgment of management based on loan collection experience. A general allowance is also maintained to absorb credit losses attributable to any deterioration in the overall loan portfolio.

(e) Capitalization and Amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to write-off the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service.

(i) Power projects

Arrow Lakes Generating Station	-straight line over 5 to 80 years
Power sales contract	-units of production
Brilliant Dam	-straight line over 30 to 80 years

During the year, the useful lives of the Arrow Lakes Generating Station and the Brilliant Dam were reviewed to take into account new information that became available. The estimated useful lives of both power projects have been increased based on this new information, which is consistent with industry standards. As a result, amortization expense for the Arrow Lakes Generating Station decreased by $700 (CBT's portion was $350) and amortization expense for the Brilliant Dam decreased by $600 (CBT's portion was $300).

(ii) Real estate

Buildings and improvements	- straight line over 30 years

(iii) CBT office

Computer equipment and software	- straight line over 3 years
Office furniture & equipment	- straight line over 5 years
Leasehold improvements	- straight line over 7 to 10 years
Building	- straight line over 30 years

(f) Deferred Amounts

Costs incurred in determining the feasibility of acquiring investments are deferred. When a project's acquisition or development is complete, the deferred costs form part of the capital cost of the project. If a project is abandoned, the related deferred costs are charged to operations in the period of abandonment. The appropriateness of deferring a project's costs is considered annually. When a project's costs exceed those likely to be recovered, the excess costs are charged to operations.

(g) Deferred Debt Issue Costs

Expenditures incurred in issuing long-term debt are deferred and amortized on a straight line basis over the term of the related debt.

(h) Taxes

CBT is exempt from income taxes under paragraph 149(1) (d) of the Income Tax Act. CBT is also exempt from Federal large corporations tax under subsection 181.1(3) of the Income Tax Act.

(i) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Asset Retirement Obligations

Some of CBT's assets may have asset retirement obligations. As CBT expects to use the majority of its assets for an indefinite period, no removal date can be determined and as a result, a reasonable estimate of the fair value of any asset retirement obligations cannot be made at this time.

3. CASH AND TEMPORARY INVESTMENTS

Restricted cash consists of Canadian dollar bank accounts, a Canadian dollar money market fund, a US money market fund and construction trust and letter of credit accounts. The US dollar money market fund is held to offset a US dollar current liability in accordance with the Arrow Lakes Supplemental Agreement. The construction trust account is a holding account for scheduled payments to the Design-Build contractor for the Brilliant Expansion powerplant. The restricted portion of this cash consists of $19,286 (2005 - $4,959) which is restricted to payment of construction trust liabilities.

4. INSURANCE AND OTHER RECEIVABLES

	March 31, 2006	March 31, 2005
Insurance receivable for channel repair costs	$ 1,379	$ 2,389
Accrued investment income	2,392	1,635
	$ 3,771	$ 4,024

In May 2004, damage occurred to a portion of the concrete lining at the bottom of the intake channel of the Arrow Lakes Generating Station. Emergency repairs were undertaken to ensure the integrity of the channel was maintained and intermediate repairs were done to enable the safe resumption of power generation until the permanent repairs were completed. The permanent repairs commenced in November 2005 and were completed in May 2006. All the necessary steps are being undertaken to recover these losses, including pursuing the appropriate remedies under the design-build contract and the insurance policies in place.

The total cost of the channel damage during the year consisted of the cost of interim repairs and permanent repairs that were expensed in the year. In addition, revenues were lost during the time period when the interim and permanent repairs were being completed. The accumulated balance of the insurance receivable at the end of the fiscal year is as follows:

	March 31, 2006	March 31, 2005
Lost revenue	$ 6,486	$ 3,392
Interim repairs	4,666	3,927
Permanent repairs	6,620	-
	17,772	7,319
Insurance exclusions	(9,418)	(1,930)
	8,354	5,389
Insurance proceeds received	(6,975)	(3,000)
	$ 1,379	$ 2,389

5. INCOME SECURITIES

$5,155 of the $30,827 income securities figure is not available to CBT. This amount includes CBT's $3,955 share of a Debt Service Reserve Fund and $1,200 share of a segregated Operating Reserve Account required under the terms of joint venture debt financing. Brilliant Power Corporation (BPC) has established a debt service reserve fund in which it maintains cash or cash equivalents equal to one semi-annual payment on the Brilliant Project Bonds. BPC also maintains an operating reserve account in an amount equal to one-quarter of annual operating expenses.

6. BUSINESS LOANS

CBT has included in its consolidated financial statements and notes the following business loans:

	March 31, 2006	March 31, 2005
Loan Syndication Program	$ 5,851	$ 7,425
Regional Lending Program	1,115	1,878
Kicking Horse Mountain Resort	5,619	5,619
Columbia Mountain Open Network	206	1,050
	12,791	15,972
Deferred Loan Costs	16	19
	12,807	15,991
Less: Loan Loss Allowance	(739)	(166)
Business Loans	$ 12,068	$ 15,825

	March 31, 2006	March 31, 2005
Loan Loss Allowance:		
Impaired Loans	$ 1,602	$ 140
Less: Amounts where loss is not expected	(952)	(63)
Specific allowances	650	77
General loan loss reserve	89	89
Loan Loss Allowance	$ 739	$ 166

(a) Loan Syndication Program

CBT has established a loan syndi .on program to provide liquidity to the capital markets in the Basin by matching funds through a pooling arrangement with the financial institutions in the Basin. The terms of these loans range in length from three to fifteen years and are generally secured by real estate.

(b) Regional Lending Program

CBT has provided lending capital to the Community Futures Development Corporations of the Columbia Basin Region for lending to small businesses. The terms of these loans range from one to five years and are generally secured by real estate.

(c) Kicking Horse Mountain Resort

The Kicking Horse Mountain Resort is a four-season alpine resort development situated in Golden, B.C. CBT has provided a 10 year term loan to the Kicking Horse Mountain Resort Limited Partnership at a minimum rate of 8% per annum and a variable interest component that is subject to the operating results of the borrower. The loan is repayable on December 7, 2009 and is secured by a second charge on all assets of the resort.

(d) Columbia Mountain Open Network

CBT has provided the Columbia Mountain Open Network (CMON) with interim financing to assist CMON in providing telecommunications services for the School District 20 pilot project. The loan is a non-interest bearing demand loan that is secured by a fixed and floating charge over all the assets of CMON.

Net business loan income consists of:

(For the years ended)	March 31, 2006	March 31, 2005
Business loan interest income:		
Loan Syndication Program	$ 470	$ 533
Regional Lending Program	193	236
Kicking Horse Mountain Resort	843	450
	1,506	1,219
Less:		
CBT overhead allocation	(69)	(75)
Investment monitoring costs	(29)	(28)
Loan syndication administration fees	(1)	(2)
CFDC loan administration fees	(38)	(52)
Loan loss provision-general	-	(2)
Loan loss provision-specific	(650)	-
	719	1,060
Fee income	25	52
Net business loan income	$ 744	$ 1,112

7. REAL ESTATE

CBT's interest in real estate projects is as follows:

	Land	Building	March 31, 2006	March 31, 2005
Commercial building:				
Castlegar office building	$ 52	$ 1,964	$ 2,016	$ 2,011
Less: Accumulated amortization	-	(327)	(327)	(261)
	52	1,637	1,689	1,750
Congregate care facilities:				
Castle Wood Village	236	3,619	3,855	3,856
Columbia Village	246	3,633	3,879	-
Crest View Village	152	4,095	4,247	-
Joseph Creek Village	679	5,354	6,033	-
Rocky Mountain Village	311	3,416	3,727	3,712
	1,624	20,117	21,741	7,568
Less: Accumulated amortization	-	(769)	(769)	(382)
	1,624	19,348	20,972	7,186
Project under development	-	947	947	3,671
	$ 1,676	$ 21,932	$ 23,608	$ 12,607

The real estate projects are held for the purpose of earning rental income. The portion of the Castlegar building occupied by CBT offices is excluded from real estate projects. Project under development consists of the Joseph Creek Lodge in Cranbrook, B.C.

Net real estate income (loss) consists of:

(For the years ended)	March 31, 2006	March 31, 2005
Rental income:		
Castlegar office building	$ 125	$ 125
Castle Wood Village	345	341
Columbia Village	157	-
Crest View Village	64	-
Joseph Creek Village	145	-
Rocky Mountain Village	330	165
	$ 1,166	$ 631
Rental expenses:		
Amortization of building and improvements	$ (454)	$ (248)
Finance charges	(507)	(250)
Operation of real estate assets	(66)	(74)
CBT overhead allocation	(42)	(26)
	(1,069)	(598)
Net real estate income	$ 97	$ 33

8. JOINT VENTURES

CBT participates in joint ventures with other parties and accounts for its interests using the proportionate consolidation method. The following amounts represent CBT's proportionate share of the assets, liabilities, revenues, expenses and cash flows of these joint ventures:

	March 31, 2006	March 31, 2005
Assets		
Current assets	$ 39,646	$ 25,415
Investments	388,780	365,569
Other assets	23,065	21,324
	$ 451,491	$ 412,308
Liabilities		
Current liabilities	$ 21,872	$ 16,062
Long-term debt	133,729	128,533
Net Assets		
Power and non-power project investments	295,890	267,713
	$ 451,491	$ 412,308
Net Income		
Revenues	$ 34,523	$ 30,786
Operating expenses	(21,799)	(15,103)
Finance charges	(9,345)	(9,227)
	$ 3,379	$ 6,456
Cash Flows		
Operating activities	$ 10,227	$ 11,245
Investing activities	(24,871)	(47,142)
Financing activities	3,940	23,063
	$ (10,704)	$ (12,834)

9. POWER PROJECTS

	March 31, 2006	March 31, 2005
Brilliant Dam	$ 103,327	$ 104,730
Arrow Lakes Generating Station	147,920	148,222
Brilliant Expansion Powerplant Project	110,270	98,710
	$ 361,517	$ 351,662

CBT's operating power project assets are as follows:

	Cost	Accumulated Amortization	March 31, 2006	March 31, 2005
Brilliant Dam				
Capital assets in service	$ 117,500	$ (16,559)	$ 100,941	$ 102,345
Land	2,386	-	2,386	2,385
	119,886	(16,559)	103,327	104,730

Arrow Lakes Generating Station

Capital assets in service	$ 147,847	$ (12,396)	$ 135,451	$ 134,981
Power sales contract	11,376	(2,514)	8,862	9,634
Land	3,607	-	3,607	3,607
	162,830	(14,910)	147,920	148,222
	$ 282,716	$ (31,469)	$ 251,247	$ 252,952

CBT's power project asset under construction is as follows:

Brilliant Expansion Powerplant Project

	March 31, 2006	March 31, 2005
Construction-in-progress	$ 89,948	$ 78,388
Expansion rights	13,225	13,225
Deferred development costs	7,097	7,097
	$ 110,270	$ 98,710

(a) Brilliant Dam

The Brilliant Dam consists of a dam, headpond lands, and a 145 MW powerplant located on the Kootenay River near Castlegar, BC. With all four turbine upgrades and related life extension projects completed in 2002, this generating plant will deliver approximately 970 gigawatt hours of electricity annually.

(b) Arrow Lakes Generating Station

The Arrow Lakes Generating Station is a powerplant that consists of two generating units with a capacity of approximately 185 MWs constructed 400 meters downstream of the B.C. Hydro Hugh Keenleyside dam near Castlegar, B.C. Water enters the powerplant via a 1,500 meter approach channel bypassing the existing Hugh Keenleyside dam. The project also consists of a 48 km 230 kv transmission line that extends from the powerplant to the BC Hydro substation at Selkirk.

(c) Power Sales Contract

CBT paid $11,376 for the right and obligation to provide 9,046,512 MW hours of electricity to B.C. Hydro commencing in January 2003. This obligation is being fulfilled by delivery of electricity from the Arrow Lakes Generating Station.

(d) Brilliant Expansion Powerplant Project

The Brilliant Expansion Powerplant Project involves the installation of an additional estimated 120 MWs power generation facility near the existing Brilliant Dam. The Venturers own the Brilliant Dam and the existing power facility. CBT's co-venturer CPC paid $26,500 in 1994 to Teck Cominco Limited (Teck Cominco) to purchase the rights to undertake an expansion and then assigned half of the rights to CBT. Expressions of interest were solicited and received from two international engineering, construction and turbine manufacturing teams for a design-build contract in July 2002. The evaluation process resulted in the Brilliant Expansion Consortium (BEC) formed by Skanska/Chant/SNC Lavalin being chosen as the preferred bidder.

The Design-Build Contract with BEC was signed in February 2003 and construction of the project began in April 2003. Under the contract, commercial operations are scheduled to begin in August 2006. Construction delays have deferred the timing of actual operations from August 2006 to May 2007. Terms of the contract include performance guarantees; a contractor bonus for early completion; a milestone schedule and a schedule of payments to the contractor.

Net power project income consists of:

(For the years ended)

	March 31, 2006	March 31, 2005
Revenues:		
Arrow Lakes and Brilliant powerplant revenue	$ 30,519	$ 28,817
Insurance recovery	2,965	5,389
Expenses:		
Finance charges	(8,840)	(8,360)
Operation of powerplants	(7,767)	(8,666)
Channel repair costs	(7,360)	(3,927)
Amortization of powerplant assets	(6,061)	(6,668)
Investment monitoring and CBT overhead	(917)	(913)
	$ 2,539	$ 5,672

10. DEFERRED AMOUNTS

The deferred amounts figure includes the following asset categories:

	March 31, 2006	March 31, 2005
Expansion rights	$ 12,700	$ 12,700
Deferred development - Power projects	6,716	4,688
Deferred debt issue costs	3,649	3,936
CBT office assets	1,017	934
	$ 24,082	$ 22,258

(a) Expansion Rights

CPC purchased the hydroelectric power expansion rights pertaining to the existing Waneta dams' power generation capability from Cominco Ltd. in 1994 and then assigned half of the rights to CBT. These rights include options to acquire lands near the Waneta dam at no additional cost and the right to develop and operate a new hydroelectric facility on this land.

(b) Deferred Development - Power Projects

The deferment of power project costs is based on management's judgement of anticipated future events. A number of significant estimates and qualitative factors have been considered by management in determining the viability of each project. Changes in significant assumptions underlying future cash flow estimates for a project can have a material effect on the economic viability of a project.

Project	Identification	March 31, 2005	Fiscal 2006 Expenditures	Transfers and write-offs	March 31, 2006
WEP	Waneta Expansion	$ 4,688	$ 2,028	$ -	$ 6,716

	Project Design	Environmental Analysis	Socioeconomic Analysis	Finance/Legal Analysis	CPC / CBT Management	March 31, 2006
WEP	$ 1,159	$ 1,854	$ 158	$ 423	$ 3,122	$ 6,716

Waneta Expansion Project

The Waneta expansion project is a proposal to install an additional estimated 435 MWs power generation facility at the existing Waneta dam. The Waneta dam is owned by Teck Cominco to whom CBT's co-venturer, CPC, paid $25,400 in 1994 to purchase the rights to undertake an expansion.

The project's construction cost is estimated to be approximately $300,000 over a four year period. It is projected that construction of the project will follow completion of the Brilliant Expansion Project. The project would be financed with a combination of long-term debt and equity consistent with industry practice.

(c) Deferred Debt Issue Costs

	March 31, 2006	March 31, 2005
Deferred debt issue costs	$ 4,465	$ 4,465
Accumulated amortization	(816)	(529)
	$ 3,649	$ 3,936

(d) CBT Office Assets

	Cost	Accumulated Amortization	March 31, 2006	March 31, 2005
Computer equipment	$ 792	$ (720)	$ 72	$ 74
Computer software	511	(483)	28	19
Office furniture and equipment	322	(259)	63	34
Leasehold improvements	462	(295)	167	81
Building	885	(198)	687	726
	$ 2,972	$ (1,955)	$ 1,017	$ 934

11. LONG-TERM DEBT

	March 31, 2006	March 31, 2005
Power project debt:		
Brilliant project bond Series "A", bearing interest at 8.93%, maturing May 2026	$ 43,226	$ 43,950
Brilliant project bond Series "B", bearing interest at 6.86%, maturing May 2026	13,027	13,313
Brilliant project bond Series "C", bearing interest at 5.67%, maturing May 2026	24,291	24,906
Arrow Lakes project bond Series "A", bearing interest at 5.39%, maturing March 2015	42,829	46,239
Real estate joint venture debt:		
Castle Wood mortgage loan, bearing interest at 6.55%, maturing August 2006	2,567	2,621
Rocky Mountain mortgage loan, bearing interest at 5.75%, maturing November 2009	2,770	2,824
Columbia Village mortgage loan, bearing interest at 5.10%, maturing March 2012	2,838	1,996
Creston Village mortgage loans, bearing interest at 5.47%, maturing March 2011	3,121	-
Joseph Creek Village mortgage loan 1, bearing interest at 5.61%, maturing December 2012	3,517	-
Joseph Creek Village mortgage loan 2, bearing interest at 5.66%, maturing January 2012	1,207	-
	139,393	135,849
Current portion of long-term debt	(5,664)	(5,142)
	$ 133,729	$ 130,707

(a) Brilliant and Arrow Lakes Bonds

The Brilliant Bonds are redeemable by BPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30%. The Arrow Lakes Bonds are redeemable in whole or in part at any time before March 31, 2015 at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond. The Bonds are secured on a limited recourse basis by charges against the Brilliant Dam and Arrow Lakes Generating Station assets and revenues.

(b) Real estate joint venture mortgage loans

The purpose of the mortgage loans was to provide financing for the acquisition of land and the construction of congregate care facilities ranging in size from 63 to 77 suites. The mortgage loans are repayable in equal monthly payments of principal and interest amortized over 25 years and are secured by first, fixed and floating charges over all the assets of the facilities.

(c) Guarantees by joint venturers

The joint venturers of the Castle Wood Village, Columbia Village and Creston Village joint ventures are jointly and severally liable for the full amount of the joint venture mortgages. The joint venturers of the Rocky Mountain Village joint venture gave separate guarantees limited in the amount of $1,419 each. The joint venturers of the Joseph Creek Village joint venture gave separate guarantees for 50% of the original mortgage proceeds.

(d) Principal repayments

Principal repayments are estimated as follows:

2007	$ 5,664
2008	6,013
2009	6,383
2010	6,775
2011	7,197
Thereafter	107,361
	$ 139,393

12. NON-RECOURSE CREDIT FACILITY OF JOINT VENTURE

Consistent with its agreements with its Bondholders, BPC has established a $10,000 credit facility. The facility shares the same security as the Bondholders. The facility was deactivated on April 1, 2005. Subject to an annual credit review the facility continues to be available.

13. COMMITMENTS

(a) Power Project Debt

Under its agreements with its Bondholders, ALPC and BPC have committed to keep the Arrow Lakes Generating Station and the Brilliant Dam in good operating condition and to affect all necessary repairs and replacements to the Arrow Lakes Generating Station and the Brilliant Dam to maintain the Brilliant Dam entitlement in a manner that is consistent with good industry practice.

(b) CBT Office

CBT has entered into operating lease agreements for its office space for terms expiring at various dates in the future.

14. CONTINGENCIES

CBT's power project operations and investments activities are affected by federal, provincial and local government laws and regulations. Under current regulations, CBT is required to meet performance standards to minimize or mitigate negative impacts of proposed projects. Furthermore, CBT's agreements with its Bondholders require compliance in all material respects with such laws and regulations. The impact, if any, of future legislative or regulatory requirements on specific projects and financing covenants cannot currently be estimated.

CBT is contingently liable as a guarantor of its co-venturer's portions of certain real estate joint venture debt. As at March 31, 2006, the balance of the co-venturer's portion of the debt was $8,526 (2005 - $4,618).

15. RESTRICTIONS ON NET ASSETS

(a) Restricted To Power Project Investments

Power project investment capital is restricted to reflect the Province's condition that its power project financing contributions are to be used to finance the equity requirements of power projects.

(b) Restricted To Non-Power Investments

Non-power investment capital is restricted to reflect the Province's condition that its regional benefit program contribution be used to finance investment activities and the Columbia Basin Management Plan's requirement that this capital be restricted to non-power investments.

(c) Restricted To Delivery of Benefits

Net investment income and certain other distributions from the Investment Program are restricted to future Delivery of Benefit activities. In addition, operating surpluses have been set aside for the Delivery of Benefit by CBT's Board of Directors.

16. RELATED PARTY TRANSACTIONS

(a) CBT Directors' and Advisory Committee Members' Remuneration

Section 11 of the Amendment Act provides for CBT's Directors to be compensated in accordance with directives of the Treasury Board. Where Directors are members of the Province's Legislative Assembly or are public servants or receive remuneration from any other source for acting as a Director of CBT, they receive no compensation from CBT.

(b) Power Project Joint Ventures

Under the terms of their joint venture agreements, CPC and CBT charge the joint ventures for management services. The amounts charged include staff compensation and general overhead costs attributable to joint venture activities (CBT's share is 50%).

		March 31, 2006	March 31, 2005
(i)	Payments to Columbia Power Corporation	$ 5,902	$ 5,402
(ii)	Payments to CBT	$ 73	$ 490

The joint venturers also paid $1,200 (fiscal 2005 - $1,400) to B.C. Hydro and Power Authority for project consulting services, which were provided at market rates.

(c) Columbia Power Corporation Computer Services

CBT has entered into a contract for the provision of information systems servicing and support to CPC. During fiscal 2006, CPC paid $364 (fiscal 2005 - $254) under this agreement.

(d) B.C. Buildings Corporation (BCBC)

CBT has entered into service agreements with BCBC to oversee the construction of the congregate care facilities and the building management of the Castlegar building. CBT paid $311 (fiscal 2005 - $219) related to such agreements.

(e) Columbia Basin Foundation

During 2006, CBT recovered $75 of professional fees from Columbia Basin Foundation (a not-for-profit society governed by a Board of Directors consisting of Directors of CBT).

17. DELIVERY OF BENEFITS

(a) Spending program disbursements

Tier	March 31, 2006	March 31, 2005
Basin	$ 1,661	$ 1,365
Geographic	1,308	1,298
Sector	1,187	1,613
	$ 4,156	$ 4,276

(b) Spending program commitments

The following commitments were made to several of CBT's delivery partners at the end of the year:

Tier	March 31, 2006	March 31, 2005
Basin	$ 2,115	$ 2,622
Geographic	1,300	1,300
Sector	1,585	1,230
	$ 5,000	$ 5,152

18. FINANCIAL INSTRUMENTS

(a) Fair value

CBT's financial instruments consist of cash and cash equivalents, securities, receivables, accounts payable, accrued liabilities and long-term debt. The carrying values reported in the balance sheet for cash and short-term investments, receivables, accounts payable and accrued liabilities approximate fair value, due to the short-term nature of those instruments. The fair values of the securities and the long-term debt are not significantly different from their carrying values.

(b) Interest rate risk

CBT is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities. All of CBT's long-term liabilities bear interest at fixed rates.

(c) Credit risk

CBT's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, securities and business loans. Cash and cash equivalents and securities are invested in securities issued by well-capitalized financial institutions with investment grade credit ratings. An assessment of the credit worthiness of a borrower is carried out prior to the placement of a business loan.

19. COLUMBIA BASIN INITIATIVE RESTRUCTURING

In previous fiscal years, attempts were made to restructure the power management under the Columbia Basin Initiative. In January 2005, the Minister of Energy and Mines instructed CBT and CPC that the existing structure of CPC and CBT would continue and the restructuring initiative would not be pursued. An agreement was reached whereby the region would have greater input into the management of the power projects.

20. SPECIAL CONTRIBUTIONS

CBT did not proceed with exercising the option agreement to purchase CPC. CBT and the Province of B.C. instead reached an agreement that gives the region greater input into the management of the power projects. As part of this agreement, CBT received $10,000 in new funding. In addition, CBT received $110 from the Province of B.C. for a one-time wage incentive payment announced by the Minister of Finance on November 30, 2005.

21. SUBSEQUENT EVENTS

In May 2006 the permanent repairs to the Arrow Lakes channel were completed and the Arrow Lakes Generating Station resumed operations.

22. COMPARATIVE FIGURES

Certain 2005 comparative figures have been reclassified to conform to the current year's presentation.

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